

STATE OF
IDAHO
U.S.A.

Incentives for a healthy bottom line



"Idaho is known for our low cost of living, reliable and inexpensive power, high-quality work force, stable tax base, progressive business climate and our state's tremendous natural beauty and quality of life. I have spent decades promoting Idaho's goods, services and people around the world.

As governor, I am personally committed to making Idaho the best place in America to successfully start or expand a business."

A handwritten signature in black ink, which appears to read "C.L. Butch Otter".

C.L. "Butch" Otter, Governor

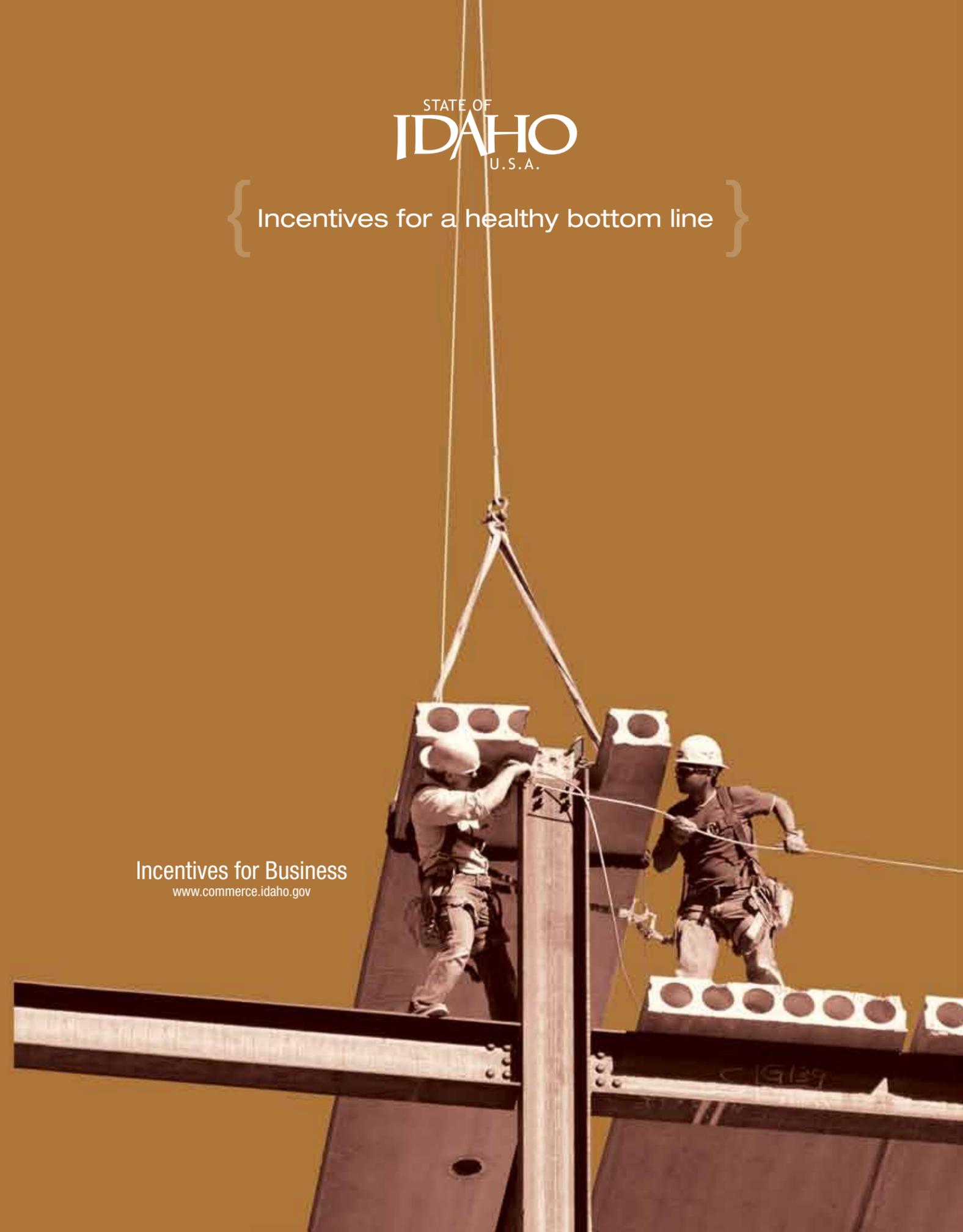
STATE OF
IDAHO
U.S.A.

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Information in this booklet will be provided in alternative formats for persons with disabilities upon request. Idaho Department of Commerce is an equal opportunity employer.

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Incentives for Business
www.commerce.idaho.gov



The Idaho Business Advantage

Businesses that invest a minimum of \$500,000 in new facilities and create at least 10 new jobs averaging \$40,000 annually, plus benefits, may qualify for a variety of incentives.

Qualifying companies receive:

- an enhanced Investment Tax Credit of 3.75% up to \$750,000 OR 62.5% of tax liability in any one year
- a new jobs tax credit starting at \$1,500 and climbing to \$3,000 per job
- a 2.5% real property improvement tax credit up to \$125,000 in any one year along with a 25% rebate on sales tax paid on construction materials for the new facilities
- upon request of the company, respective county commissioners may also authorize a full or partial property tax exemption

PROPERTY TAX INCENTIVES

Capital Investment Property Tax Incentives

Rural Property Tax Exemption

Businesses that invest in new manufacturing facilities may receive partial or full property tax exemptions from local county commissioners. To qualify, businesses must invest a minimum of \$3 million and build in a rural area as defined by USDA Rural Development.

Large Business Property Tax Cap

Businesses that invest a minimum of \$1 billion in capital improvements will receive a property tax exemption on all property in excess of \$400 million in value per year.

Large Employer Property Tax Cap

Businesses that employ at least 1,500 people within an Idaho county may receive a property tax exemption on property values in excess of \$800 million. To qualify, the business must make a yearly capital investment of at least \$25 million within that county.

100% Property Tax Exemption

Business inventory and registered motor vehicles, vessels and aircraft are exempt from property tax.

INCOME TAX INCENTIVES

New Jobs Income Tax Credit

\$1,000 Tax Credit

Businesses may earn a \$1,000 tax credit for each additional employee added. New employees must work a minimum of 20 hours per week, make at least \$15.50 an hour, and be eligible to receive employer-provided coverage under an accident or health plan. The credit may be carried forward up to three years.

\$500 Tax Credit

Businesses may earn a \$500 tax credit for adding new jobs in the production, assembly, fabrication, manufacturing or processing of natural resources. This credit cannot be combined with the \$1,000 new jobs credit.

3% Investment Tax Credit

Businesses that make qualifying new investments may earn an income tax credit. This credit can offset up to 50% of a company's state income tax liability and may be carried forward up to 14 years.

Qualified Investment Exemption

This exemption may be applied in lieu of the investment tax credit. A two-year exemption from property tax on qualified personal property is available only if a loss was incurred in the second preceding tax year in which

the property is placed in service. The loss must have been computed without regard to any net operating loss carry over or carry back.

Net Operating Loss Deductions

Idaho offers a net operating loss income tax provision for losses up to \$100,000 per tax year. Losses may be carried back for two years, or if not absorbed in those two years, the remainder may be carried forward for up to 20 years.

5% Research and Development Income Tax Credit

Businesses conducting basic and qualified research may earn an income tax credit of 5% that may be carried forward up to 14 years.

3% Broadband Telecom Income Tax Credit

Businesses that purchase qualified broadband equipment and infrastructure for the benefit of end users in Idaho may earn a 3% income tax credit up to \$750,000. This credit is transferable and may be carried forward up to 14 years.



SALES TAX INCENTIVES

100% Sales Tax Exemption

Production Sales Tax Exemption

Businesses purchasing equipment and raw materials used directly in manufacturing, processing, mining, fabrication or logging operations; for clean rooms used in semiconductor and semiconductor equipment manufacturing; for any equipment or material used in research and development activities; and processing materials, substances or commodities for use as fuel for the production of energy may earn a sales tax exemption.

Pollution Control Equipment Sales Tax Exemption

Businesses purchasing required pollution control equipment are exempt from sales tax on those purchases. Required pollution control facilities are exempt from property tax.

Utility & Industrial Fuels Sales Tax Exemption

Businesses are exempt from paying sales tax on utilities and industrial fuels. Examples include power, water, natural gas and telephone.

100% Goods-In-Transit Tax Exemption

The state's free port law provides that goods-in-transit (goods purchased by a carrier in its business and delivered outside the state under a bill of lading for use by the carrier in its business) are exempt from taxation.

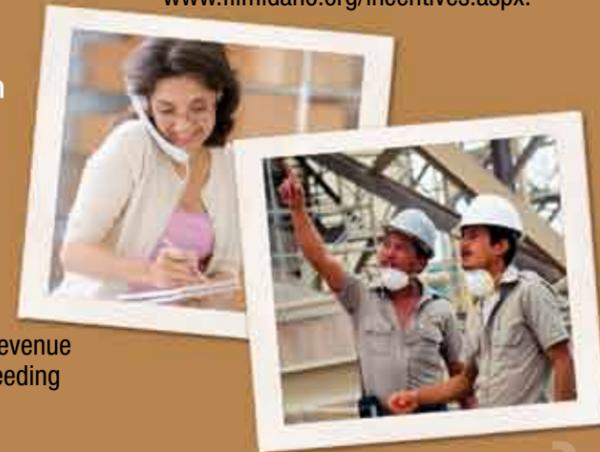
ADDITIONAL INCENTIVES

Idaho Prime Rate Loan Program

Commercial banks offer low-interest loans to qualifying small businesses with up to 85% Small Business Administration guaranty.

Up to \$20 Million in Industrial Revenue Bonds

Tax-free bonds to finance manufacturing, processing, production and assembly projects are issued by a public corporation with the project or business serving as collateral. Also, taxable industrial revenue bonds are available up to and exceeding \$20 million.



Together with some of the lowest overall costs of doing business in the country, Idaho is near the top in virtually all indicators of business and economic vitality.

Financial Incentives and Tax Credits



Business Resources and Assistance

DEPARTMENT OF LABOR RESOURCES

Customized Recruiting Services

The Department of Labor offers employers one-on-one professional guidance in managing the recruitment process.

Experienced Labor Workforce consultants can visit your work site to identify needs and then effectively match employee prospects to the skills, training and experience required to fill your jobs. The Department of Labor has offices located across the state.

Customized Workforce Training

Idaho supports educational and training programs through the Department of Labor and its local offices to help provide skilled, productive workers for your company. Training can be tailored to your specific company needs and designed to develop skill sets for your precise requirements.

Financial reimbursement up to \$3,000 is available to eligible companies to cover the cost of training a new employee or retaining one facing permanent layoff.

Workforce Training Network

This network coordinates delivery of statewide training programs to meet the needs of Idaho's employers and citizens. The state provides these programs in a customized manner based on a business's needs.

Access Labor Market Information

Visit the Department of Labor's web site or a local office for current information about work force trends, economic conditions, demographics, wages, industry and occupational statistics and census data.

Existing businesses; economic development groups; and companies considering startup, expansion or relocation can also call on labor economists throughout the state for information, analysis, referral services and technical assistance.

OTHER BUSINESS RESOURCES

Idaho Business Network

The Idaho Business Network is the state's recognized Procurement Technical Assistance Center (PTAC). This organization matches the purchasing needs of federal and state agencies with the products and services of Idaho companies. In addition, it provides technical assistance with completing bid documents, offers seminars on evolving procurement practices and hosts the Idaho Business Opportunity Conference to put you face-to-face with purchasing professionals from government agencies and large corporations. Annually, Idaho

businesses average over \$100 million in federal and state contracts by taking advantage of the Idaho Business Network.

Export Assistance

Idaho Department of Commerce's International Trade Division offers export counseling, seminars and marketing resources to Idaho companies. Marketing opportunities via catalogs, trade shows and trade missions are provided at a nominal fee. Idaho trade representatives in Mexico, China and Taiwan, assist companies by finding business opportunities, distributors and projects. They are co-located and partner with the U.S. Commercial Service to provide worldwide resources and assistance.

TechHelp

TechHelp assists Idaho manufacturers in lean manufacturing, human performance, quality systems, product development and information technology to help them become more competitive.

Small Business Development Centers

Small Business Development Centers around the state deliver up-to-date counseling, training and technical assistance in all aspects of management to help small business owners and potential business owners make sound decisions.

TechConnect

TechConnect staff act as project managers to access the resources necessary for businesses to commercialize private, university and governmental technologies. State-sponsored programs and federal grants are earmarked to help Idaho communities and counties with infrastructure improvements that encourage business expansion and strengthen the local economy.

Gem State Prospector

Gem State Prospector gives companies considering relocation or expansion a database of business locations across Idaho. This resource allows companies to search by their property needs and provides in-depth results for each site, including demographic information for the surrounding area, access to utilities, and proximity to support businesses. www.gemstateprospector.com

INFRASTRUCTURE IMPROVEMENTS

Up to \$500,000 in Community Block Grants

Local cities and counties may receive grants to finance public infrastructure improvements that support business development.

Up to \$500,000 in Rural Development Grants

Communities in rural Idaho may receive grants to facilitate business development, expansion or relocation.

Up to \$50,000 in Gem Grants

Rural communities may receive grants for projects that create assets with a high certainty of aiding job creation and job retention.

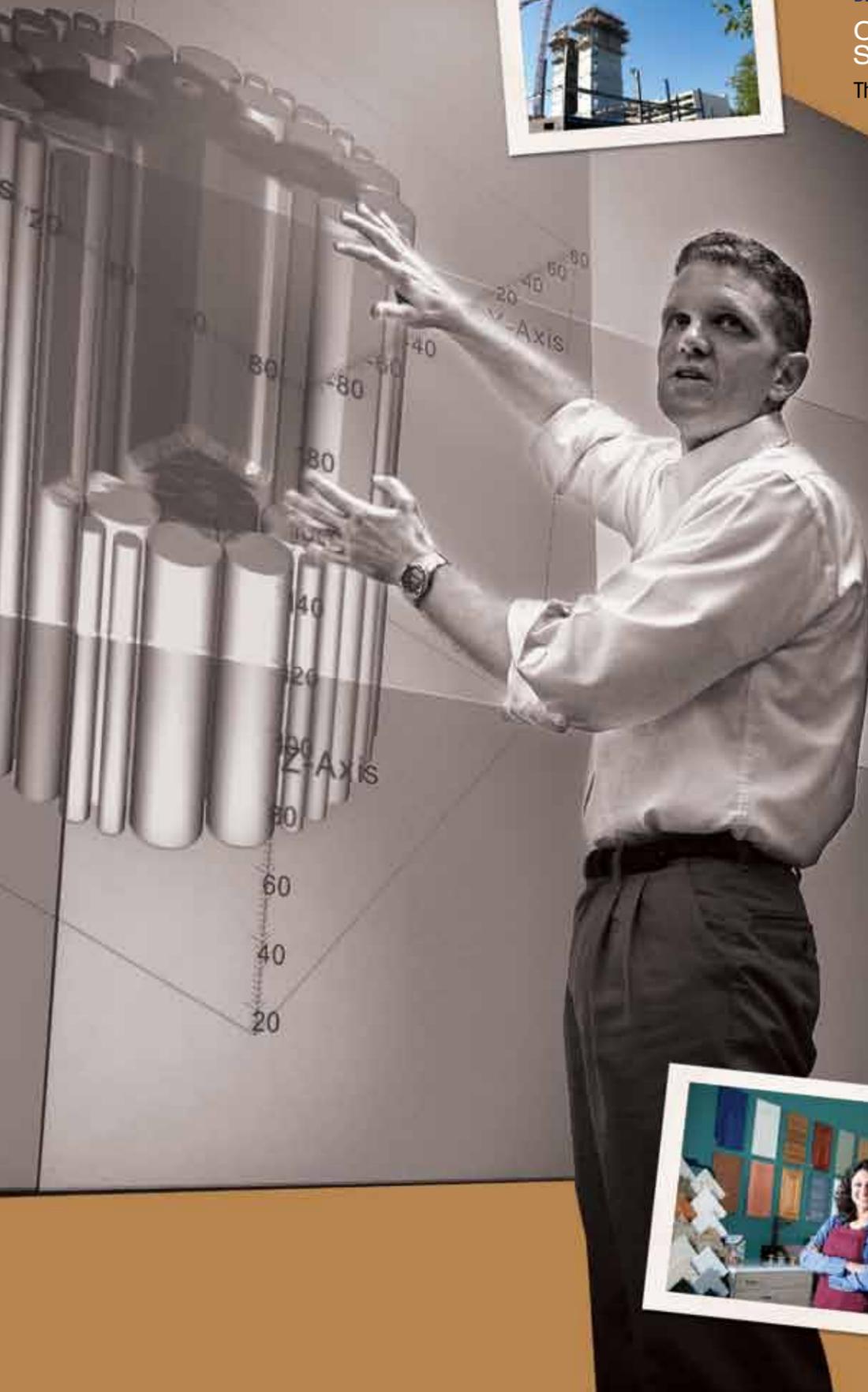
Economic Development Administration Grants

Communities may receive grants for industrial or commercial site development where commercial financing cannot be secured. Loans up to \$10,000 may be granted for each new job created.

Tax Increment Financing

Cities and counties may use Tax Increment Financing to fund new infrastructure needed to support business development.

Information and programs are available to access the latest research and technology, implement work force training and development, improve operations, and expand sales and marketing.

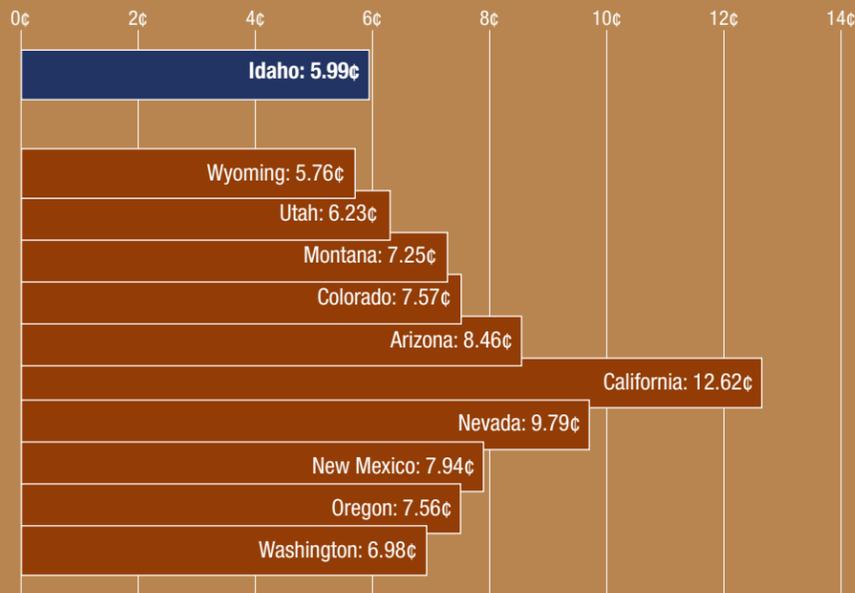


Compare Business Costs

Electricity Costs

A major source of Idaho's electricity is low-cost hydropower. As part of the Bonneville Power Administration's northwest power distribution grid, industrial electric rates are lower than most major cities in the nation and about half that of many western cities.

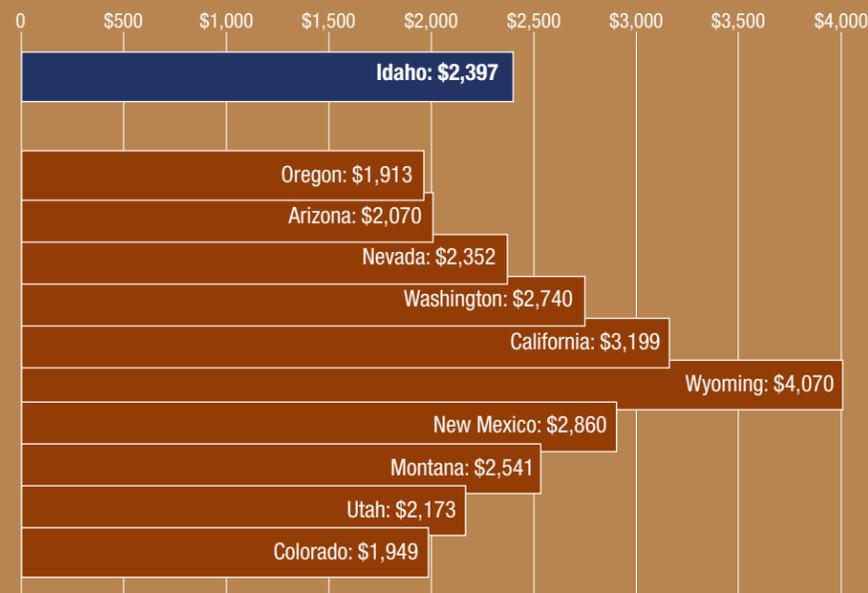
Annual Industrial Electricity Costs Average Rate (Cents per Kilowatt Hour) Source: Energy Information Administration, May 2009



Per Capita Taxes

Our tax revenues come from a balanced mix of personal income, sales, property and corporate taxes, providing a stable base to fund public services without unfairly burdening any sector. Plus, Idaho's state and local government debt per capita is the lowest in the nation.

Annual Per Capita State & Local Taxes in Western States Source: U.S. Bureau of the Census (Total State Taxes 2008), U.S. Bureau of the Census: Annual Estimates of the Resident Population



Unemployment Costs

Idaho's unemployment insurance program adjusts annual employer rates more equitably. This new structure, adopted in 2005, makes the same percentage change, up or down, in the tax rate of every employer, regardless of the experience rating. This new tax mechanism also triggers lower tax rates than the previous system under similar economic conditions.

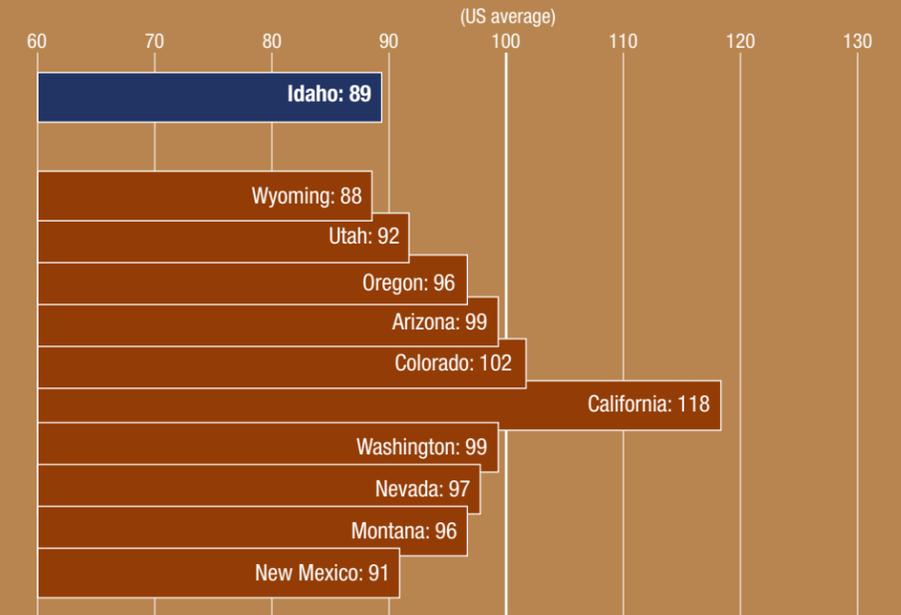
Average Unemployment Insurance Costs New Employers 2008 Source: Payroll-Taxes.com, May 2009

State	Maximum Wage Base	Taxable Amount	New Employer Rate	Contribution
Idaho	\$33,200	\$6,440,000	1.302%	\$83,848
Wyoming	\$20,100	\$4,020,000	1.530%	\$61,506
Arizona	\$7,000	\$1,400,000	2.000%	\$28,000
New Mexico	\$20,900	\$3,800,000	2.000%	\$76,000
Oregon	\$31,300	\$6,040,000	2.400%	\$144,960
Colorado	\$10,000	\$2,000,000	2.520%	\$50,400
Washington	\$35,700	\$6,280,000	2.700%	\$169,560
Montana	\$23,800	\$4,760,000	2.780%	\$132,328
Nevada	\$26,600	\$5,050,000	2.950%	\$148,975
California	\$7,000	\$1,400,000	3.400%	\$47,600
Utah	\$27,800	\$5,340,000	5.400%	\$288,360

Overall Business Costs

Economy.com ranks Idaho the second lowest state in the West in overall costs of doing business.

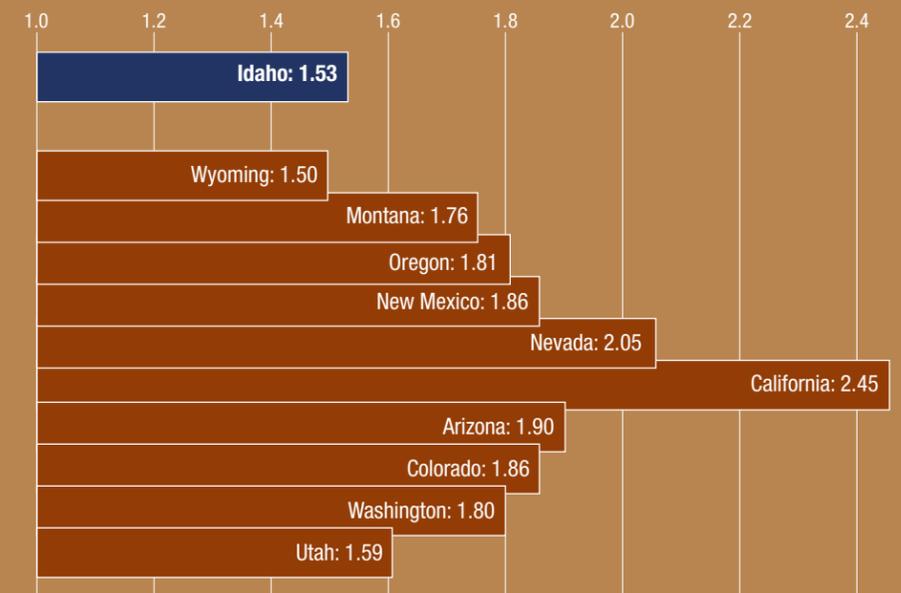
Overall Business Costs in Western States Source: Moody's Economy.com, July 2008



Overall Energy Costs

Overall energy costs are impacted by a variety of factors, including regulation, taxes, government mandates, economic growth and development of resources. With a business friendly regulatory environment and continued development of a diverse range of energy sources, Idaho has the second lowest energy costs of any state in the nation.

Source: Small Business & Entrepreneurship Council, April 2009



Workers' Comp Rates

Idaho employers with workers' compensation insurance pay some of the lowest premiums in the country. If lower-than-normal rates create a surplus, policyholders save in the form of rate deviations or actual dividends.

Annual Workers' Compensation Costs in Western States (in thousands) 2008 *Washington is a composite rate, both employer and employee contribute to the cost. Source: Idaho State Insurance Fund, U.S. Bureau of Labor Statistics, June 2009. Note: Rate shown is for ID Class Code 3681.

State	Rate per \$100 of payroll	Average Annual Wage	Total Cost
Washington*	\$0.32	\$30,070	\$19,419.21
Idaho	\$0.68	\$24,990	\$33,986.40
New Mexico	\$0.61	\$30,160	\$36,795.20
Oregon	\$0.71	\$29,140	\$41,378.80
Utah	\$0.73	\$28,990	\$42,325.40
Arizona	\$0.72	\$35,850	\$51,624.00
Nevada	\$1.23	\$28,100	\$69,126.00
Colorado	\$1.40	\$30,150	\$84,420.00
Montana	\$1.78	\$26,660	\$94,909.60
California	\$3.09	\$29,830	\$184,349.40
Wyoming	\$2.59	\$22,040	\$114,167.20